

International Business Proposition

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Student's Name
Institution Affiliation

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Classic Style Gems is a Wholly Owned Subsidiary that will be situated in Warsaw Poland to provide high-end fashion products. The business has chosen Poland due to the economic value it presents. Poland is the 6th largest economy in Europe with a GDP (Purchasing Power Parity) of \$ 1.11 trillion in 2017 and a GDP growth of 3% per year. Poland is also renowned globally as one of the countries with a business-friendly environment and policies. The ease of doing business in the country enhances the likelihood of any business to succeeding.

Poland has a population size of 38.5 million people and an area of 312,685 sq km. it is surrounded by countries such as Czech Republic, Germany, Lithuania, and Russia. The total dependency ratio of the population is 43:9 while the potential support ratio is 4:5 (The World FactBook, 2018). The majority (60.5%) of the population lives in urban areas, and the rate of unemployment stands at 20.8% (The World FactBook, 2018).

Poland politics are based on the parliamentary structure. President Andrzej Duda of the conservative Eurosceptic Law and Justice Party serves as the chief of the government while the head of the government is Prime Minister Mateusz Morawiecki (The World FactBook, 2018). Poland observes a civil law system with a bicameral legislature, judiciary, and the executive (The World FactBook, 2018). The Civil Code of Poland codifies the private and the public laws of the land. The constitution is the supreme law of the land while the bicameral legislature is charged with creating the laws.

Poland has a mixed economic system that depicts private companies, centralized companies, and government regulation. The main investment in the economy is mainly on infrastructure, smart growth, digital and

technical development. The GDP is mainly controlled by the household consumption 58.8%, government consumption 18.1% and investment in fixed capital 17.8% (The World FactBook, 2018). Exports to other countries account for 56% of the countries income. Machinery and transport equipment are the main export commodities accounting for 37.8% of the exports (World Bank, 2017). Intermediate manufactured goods, animal and food products are other export commodities commonly produced by Poland. Germany is the main export destination for Poland commodities accounting for 27.3% (The World FactBook, 2018). The United Kingdom and the Czech Republic account for 6.6% and 6.5% respectively. Other main export destinations include France, Italy, and the Netherlands. Poland is a member of the EU, OECD, the United Nations and the North Atlantic Treaty Organization.

Business Proposition

Classic Style Gems will set a wholly owned subsidiary in Poland to capitalize on the growth prospects advanced by the Poland market and generate a higher rate of returns. The subsidiary will provide unparalleled quality sets of jewelry, purse, earrings, necklaces, belts, bracelets, rings, brooches, pendants and hair barrettes combs. The Objective of the venture is to capitalize on the prospects of the Polish fashion market and offset losses experienced due to constant business failures. The subsidiary in will increase diversification and risk management by operating in a business-friendly environment. The subsidiary will also enjoy lenient tax policies in Poland by operating as a distinct entity from its mother company.

Classic Style Gems will be situated in Warsaw due to its strategic location and large population size in the city. Use of e-commerce has become an essential platform for a business to attain an increased market reach and high profits. Classic Style Gems will have both an online store

and physical store to enhance customer reach and ensure profitability of the business.

The business will target the high-end consumers who have a taste for high quality fashion products. Notably, most of the consumers have become value demanders with a high sense of interaction with service providers. The business will focus on establishing a strong relationship with both the prospective and existing customers to hence its chances of success using a myriad of digital tools.

The situation in Poland is characterized by significant realignment in the way consumers perceive fashion products, changes in taste and preferences and buying behavior trends. Classic Style Gems seeks to fill the hole in the fashion market by providing unrivalled jewelry products and establishing strong relations with the customers to ensure customers enjoy value for their money. Market research has established that the Polish consumers are in need of quality products and services, strong relationships with their service providers and high level of satisfaction.

The subsidiary will bank on the key management team to establish a strong marketing strategy for the business. The subsidiary will be headed by C.E.O developed from the parent company. The main management will be headed by managers from the mother company. Moreover, the company will focus on fulfilling the promise to offer unparalleled high-quality fashion products to its consumers. Additionally, Classic Style Gems will establish a strong selling and marketing power to establish a reasonable market share. Strong visibility will be maintained through the online platforms to enhance the success of the business.

The day to day management aspects of the subsidiary will be shared between the subsidiary and its mother company. The sharing of management aspects will increase stability and profitability by enhancing

administrative efficiency. The strong brand image of the parent company will help the subsidiary fit effectively in the new market.

Evidence

One of the main reasons behind establishing the Classic Style Gems in Poland is due to the positive economic forecast and the friendly business environment in the country. Poland is touted as one of the countries with the highest ease in doing business (Harper, 2017). Poland is ranked as the 27th country in the ease of doing business in the world (World Bank, 2017). Moreover, the big population size provides a big market for businesses operating in Poland. *Poland had a resilient financial sector and was the only country in Europe that was not affected by the impacts of the 2008 recession* (World Bank, 2017). The GDP per capita (PPP) is \$29, 300 and is ranked 66th when compared to other economies in the world. Inexpensive, diverse and qualified labor makes Poland one of the best countries to do business in the world (Radio Poland, 2018).

Secondly, Poland is becoming the new hotbed of fashion products in Europe. Most of the central and eastern Europe countries like Poland are overlooked in regards to fashion products (Baltic Jewellery News, 2017). However, the taste for fashion products has been increasing significantly in the recent past. The Polish jewelry market is valued at \$ 1.5 billion per year (Dalewska, 2016). The increase in the number of people who earn more than EUR 2000 has been increasing significantly since 2012. Subsequently, increased disposable income is highlighted by the increased demand for fashion goods. It is estimated that Poland has more than 840, 000 rich and affluent individuals with their total annual income amounting to over EUR 40 billion. It is also estimated that about 10, 000 businesses operate in the Jewelry market. However, more than 95% of the businesses are small scale with insignificant market share. Additionally,

most of the jewelry shops are located in urban areas due to their proximity to a large market owing to a large population in the urban areas. More than 60% of the Polish population lives in the urban areas. More than 85% of the luxury product consumers consider the functional value of the product as the luxury characteristic (KPMG, 2016). Therefore, entry into the Polish market presents meaningful chances of success for the Classic Style Gems by fitting the consumer's needs.

Thirdly, Poland is touted as one of the biggest jewelry destinations for Europe's jewelry producers. The value of jewelry imported to Poland is estimated at PLN 3 billion (CBI Product Factsheet, 2016). Italy is the biggest exporter of Jewelry to Poland, and it views Poland as an important destination for the product (Euro Monitor, 2017). Recognition of Poland as an important destination for Italian jewelry signals the significance of the products in the country. The success of a product is determined the reception the consumers have towards the product.

Evidently, Poland is one of the countries with a business-friendly environment and policies that increase the ease of doing business. Therefore, there is a likelihood that any business would succeed in that environment. The positive forecast regarding the economic growth of the country, growing number of rich and affluent individuals and increased demand for jewelry products makes Poland an important destination for Classic Style Gems subsidiary. Poland is becoming an important destination for fashion particularly jewelry. The customers in the country are mostly concerned about the functional value that is attached to the luxury product. Therefore, it is important to be responsive to customers' needs and provide them with the type of product they are interested in buying.

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